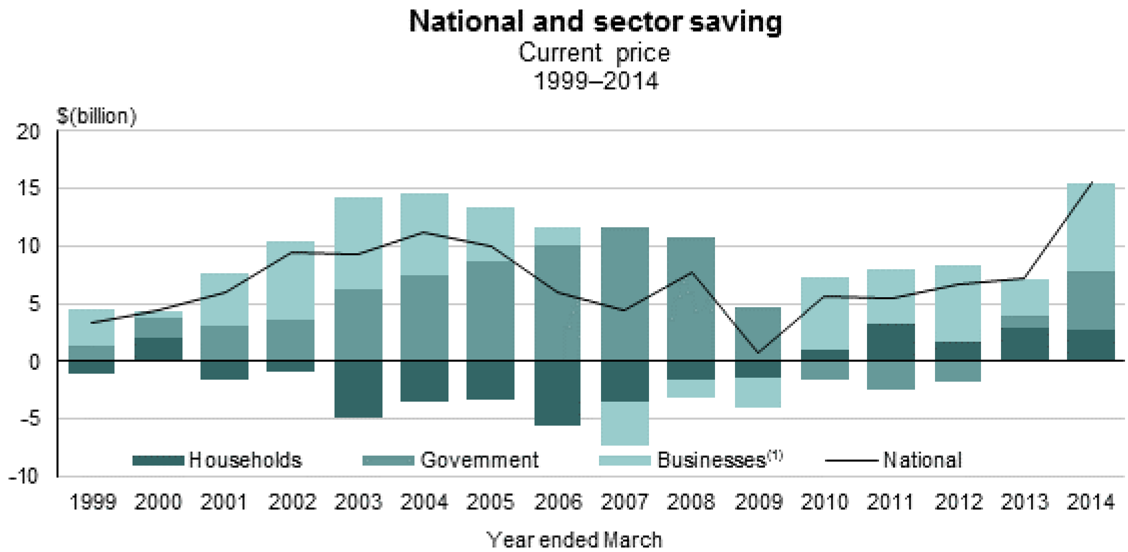
National Accounts (Income and Expenditure): Year ended March 2014

Embargoed until 10:45am – 21 November 2014

Key facts

The National Accounts (Income and Expenditure) release provides information on domestic production and the resulting income that is available for spending and saving. It also provides an insight into how saving is used and invested between different sectors of the economy.



1. Including not-for-profit institutions serving households.

Source: Statistics New Zealand

Provisional estimates for the year ended March 2014:

- New Zealand's gross domestic product (GDP) was $231.0 billion.
- Growth was reflected in higher operating profits for businesses, which drove up national income and saving.
- Higher global milk prices resulted in higher business profits, export earnings, and household income from farming.
- Revised estimates show positive household saving since 2010.
- Government saving increased, due to higher tax revenue, driven by higher salaries and wages, household consumption, and business profits.
- Investment in residential building and other construction continued to grow strongly due to the Canterbury rebuild.

Liz MacPherson, Government Statistician
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Commentary

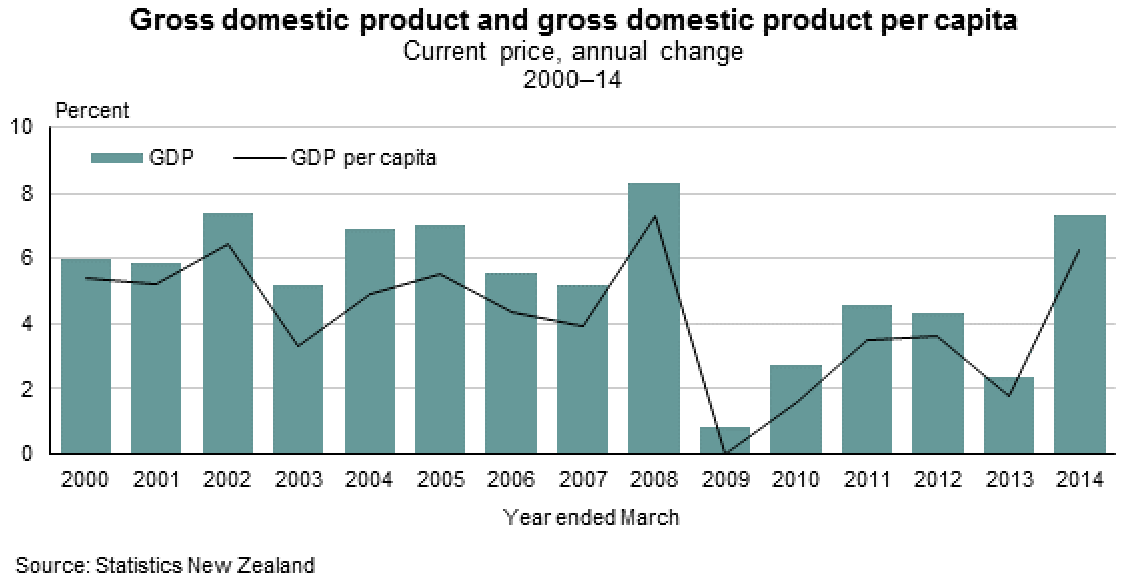
- First release under new international standards
- National picture shows higher GDP and national saving
- Positive saving for all sectors of the economy in 2014
- Increased investment driven by Canterbury rebuild

First release under new international standards

This is the first release of the National Accounts (Income and Expenditure) statistics under the new international standards: the 2008 System of National Accounts. More information can be found in the revisions section.

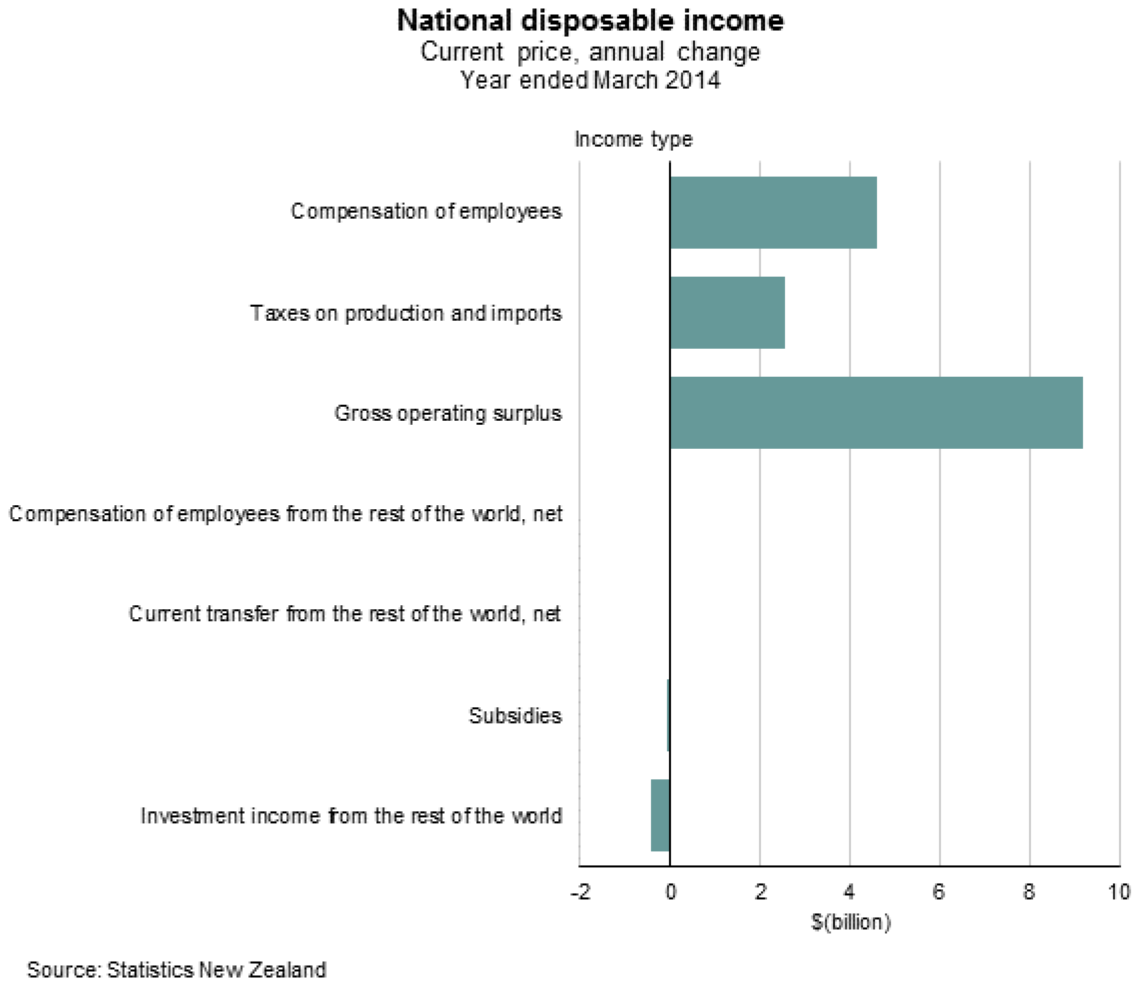
National picture shows higher GDP and national saving

Provisional estimates for GDP put the value of economic activity in New Zealand at $231.0 billion for 2014, up 7.3 percent from 2013 in current prices. On a per capita basis, this is the largest increase in GDP growth since 2008.



Growth in GDP in 2014 was largely driven by dairy, construction, and financial services. This resulted in higher operating surpluses for these industries, which drove an increase in New Zealand's national disposable income, up 8.2 percent to $189.2 billion. The growth in business profits is in contrast to 2013, when business profits were flat.

Growth in salaries and wages ($4.1 billion) was similar to that in the March 2013 year ($3.8 billion). Growth in taxes on production was stronger than in previous years, as improved economic conditions have led to increased consumption and a higher GST intake.

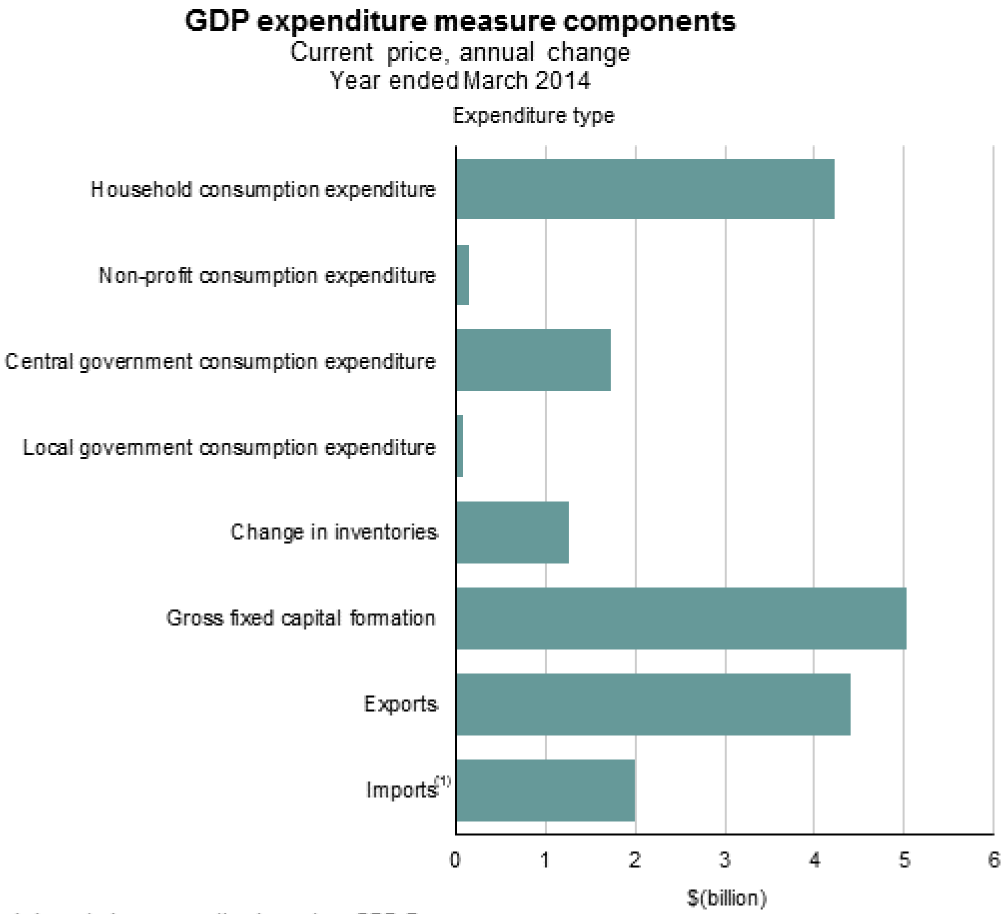


Investment behind growth in expenditure measure of GDP

The expenditure measure of GDP combines the final use of goods and services produced by the economy during the financial year. Examples include consumption of goods such as food by households, or businesses investing in fixed assets that can be used in the production process in future years.

The big contributors to growth in 2014 were:

- the large increase in investment (gross fixed capital formation), reflecting the Canterbury rebuild
- the increase in net exports, reflecting increased dairy exports driven by higher international milk prices
- household consumption expenditure, which continued to grow at a steady pace.

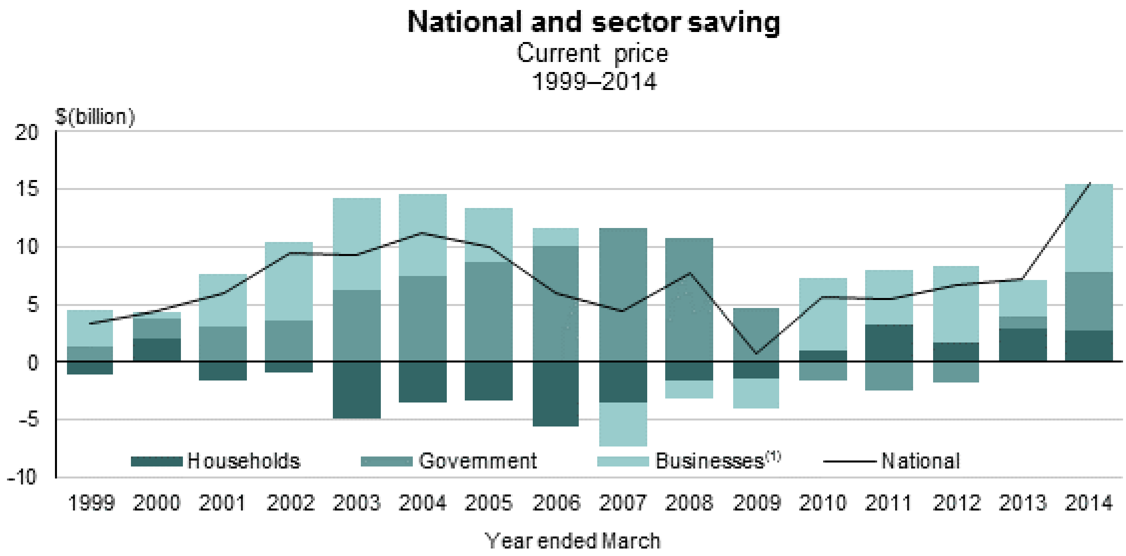


1. An increase in imports has a negative impact on GDP E.

Source: Statistics New Zealand

Positive saving for all sectors of the economy in 2014

National saving in 2014 was $15.5 billion, up $8.4 billion from 2013. Two notable contributors were improved net exports, and higher business profits. Positive saving was recorded for government, households, and the combined businesses/non-profits sectors in 2014. Revised estimates show that 2013 was the first year since 2000 that these sectors all had positive saving.



1. Including not-for-profit institutions serving households.

Source: Statistics New Zealand

Increases in private saving and the distribution of business profits to households

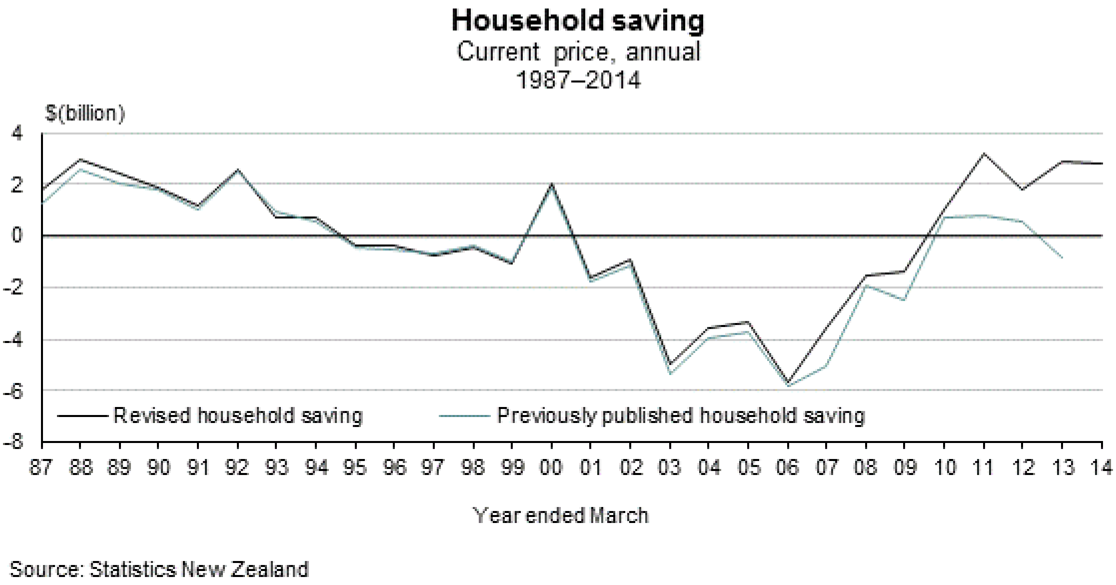
The large increase in private saving was driven by the large increase in operating surplus. Businesses can distribute their surpluses to households in two forms:

- entrepreneurial income, which represents profits of unincorporated businesses, and salaries to owner-operators
- dividends, which represent the distribution from corporations.

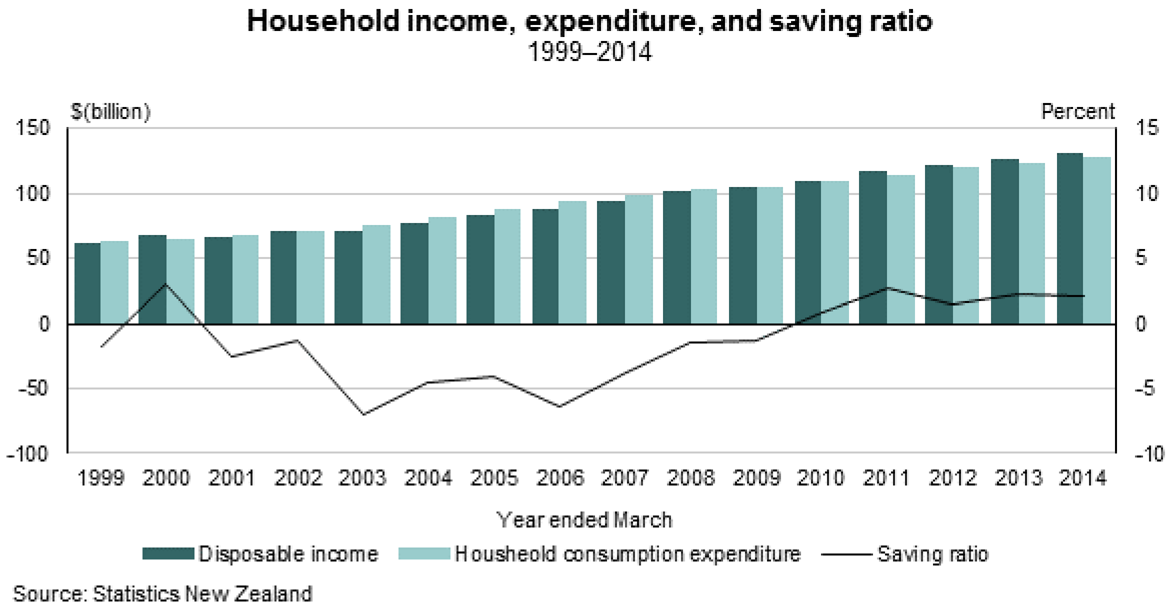
In 2014, businesses distributed $23.3 billion to households in the form of entrepreneurial income. This increased $3.4 billion from the March 2013 year, largely driven by higher world milk prices being reflected in increased farm entrepreneurial income.

Provisional estimates for dividend flows from corporations to households indicates a large fall in 2014, but we will get a clearer picture in the 2015 release as more information becomes available.

An upward revision to dividends received was the largest factor in the revised household saving figure for 2013. We have made significant revisions to 2011 onwards to include new information, improved methodologies, and corrections – see the revisions section for more information.



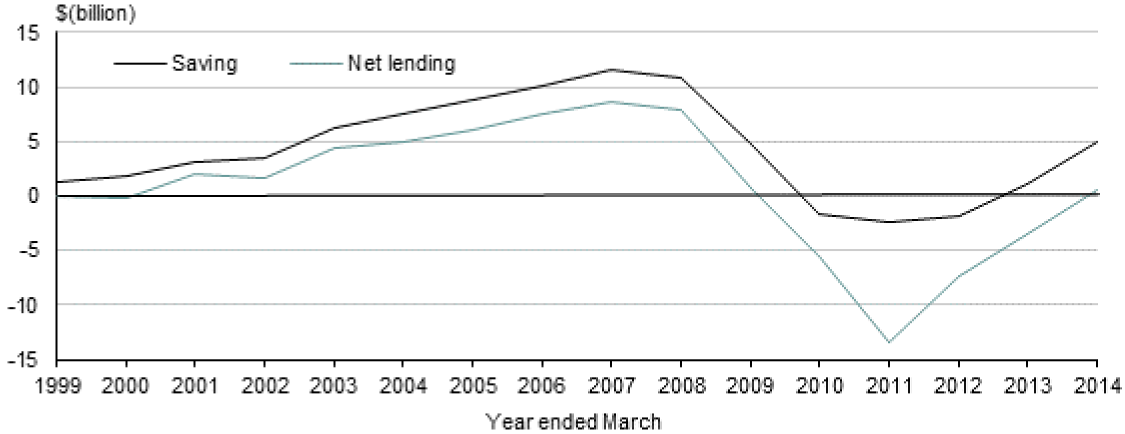
Revised data shows household saving has now been positive for five consecutive years. In 2014, household saving was $2.8 billion, which represents saving of 2.1 percent of household disposable income.



Government saving improves due to greater tax intake

Government saving improved due to greater growth in tax income than in expenditure. Income tax received was up due to strong growth in both PAYE and company tax returns, which is consistent with growth in compensation of employees, and operating surplus. Taxes on production also rose due to strong household consumption boosting the GST intake.

Government saving and net lending
Current price, annual
1999–2014



Source: Statistics New Zealand

The large negative net lending (net borrowing) for 2011 was due to large capital transfers to households from insurance claims relating to the Canterbury earthquakes.

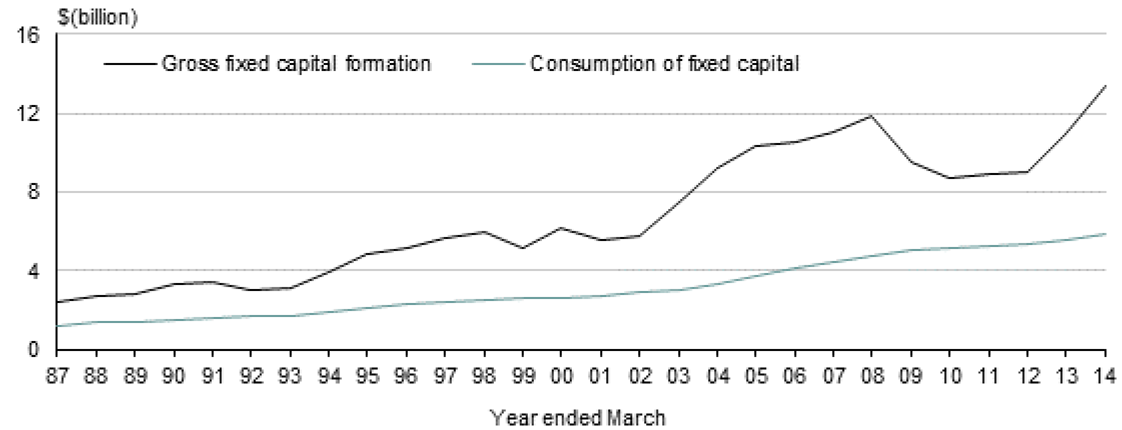
Increased investment driven by Canterbury rebuild

Household saving and investment

The positive saving trend since 2010 has meant that an increasing amount of investment has been funded by households. Also, the large capital transfers received by households in 2011 ($19.3 billion) and 2012 ($4.0 billion), due to insurance claims from Canterbury earthquakes, are starting to be used for residential building investment, which shows large increases in 2013 and 2014.

The recent pick-up in investment in residential building is above that required to replace the depreciation of residential building stock over the year.

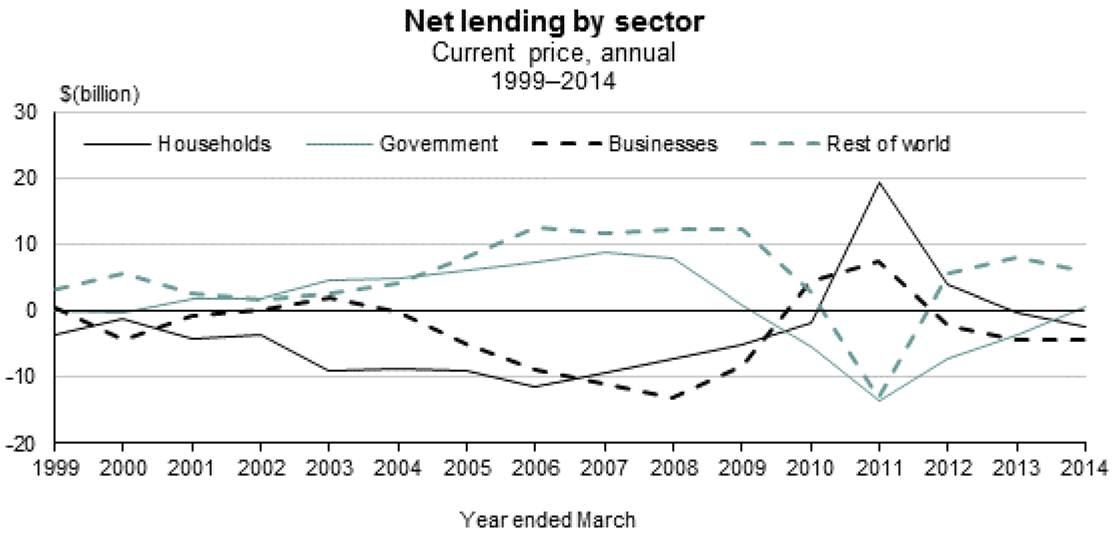
Residential buildings
Current price, annual(1)
1987–2014



1. Including residential landlords.

Source: Statistics New Zealand

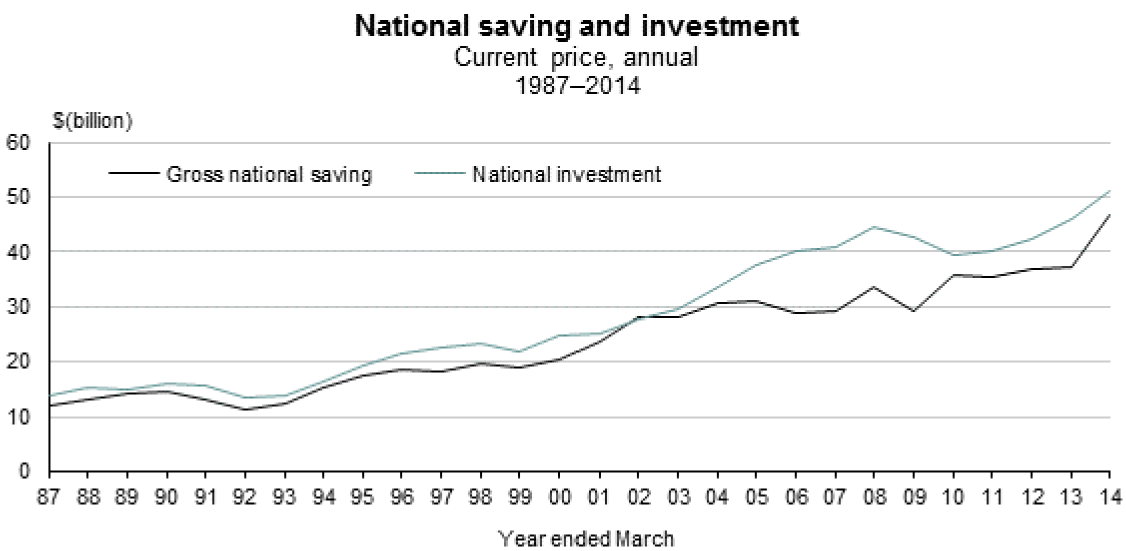
Where a sector's saving is inadequate to fund its investment, it needs to borrow from other sectors. For many years the domestic economy has had to borrow from the rest of the world to finance its investment. 2011 was an exception: huge flows went to households from overseas reinsurers, government, and insurance companies, as financial obligations arose due to the earthquakes.



Source: Statistics New Zealand

Net borrowing from the rest of the world falls

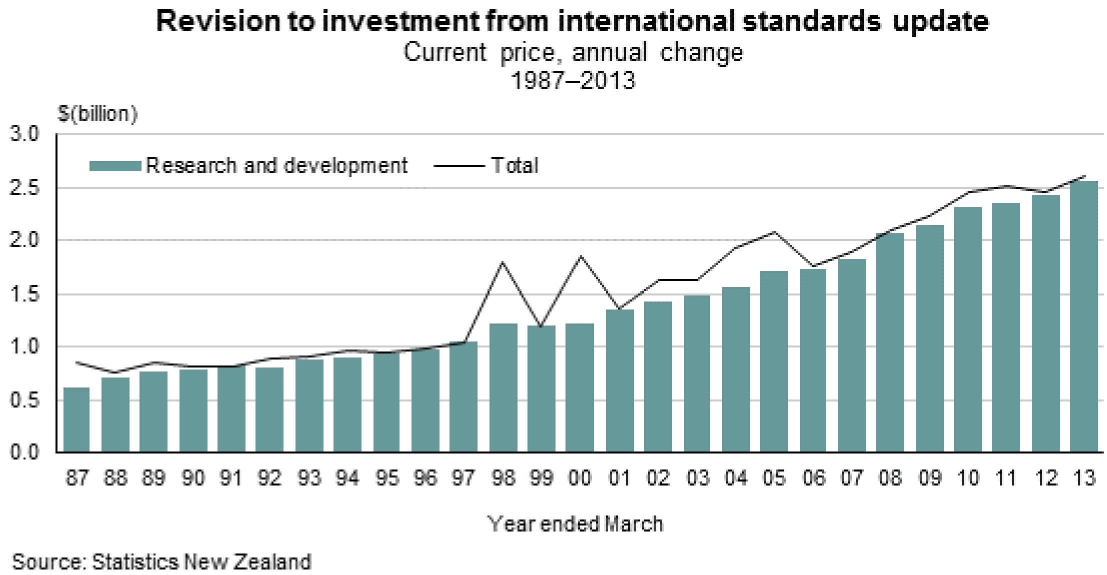
New Zealand's interactions with the rest of the world improved in 2014 due to an improved balance on goods and services, largely driven by higher dairy exports. This meant investment was funded more from domestic saving, resulting in less borrowing from the rest of the world.



Source: Statistics New Zealand

Higher investment recorded following changing scope of investment

The scope of what is considered expenditure on goods and consumption, and expenditure on asset creation has changed under the new international standards. Expenditure on research and development and weapons systems are now considered capital formation, to reflect the ongoing flow of capital services these investments provide. This has resulted in an upward shift in the gross fixed capital formation time series. The change to research and development has had the biggest effect. The effect of capitalising navy vessels can be seen in 1998 and 2000.



For more detailed data see the Excel tables in the 'Downloads' box.

Definitions

About National Accounts (Income and Expenditure)

This release is part of the suite of national accounts statistics that reflect the New Zealand economy. It provides production, income and outlay, and capital accounts for the nation and the six sectors of the economy: producer enterprises, financial intermediaries, government, non-profit institutions serving households, households, and the rest of the world. The sector accounts provide information on the economic activities of the sectors and their interactions. The accounts are structured in sequence to show how income is generated and used. Important economic indicators can be derived from the sector accounts. These include measures such as household saving, the profit share of corporations, and investments of the household and corporate sectors.

More definitions

Actual collective consumption: value of the collective (as opposed to individual) consumption services provided to a community by general government (central and local). Derived from final consumption expenditure by taking away the value of social transfers in kind.

Actual final consumption: goods and services acquired by households, whether purchased by them directly, or by government or non-profit institutions on their behalf.

Actual individual consumption: household consumption of goods and services acquired by purchase, government transfer, or private non-profit services to households. All private non-profit services are treated as individual consumption (social transfers in kind).

Balance on the external current account: excess of current receipts over current disbursements.

Balance sheets: measure the values of stocks of assets or liabilities. They are typically compiled at the beginning and end of the accounting period.

Capital account: records all transactions of non-financial assets, and how these are financed after net capital transfers have been accounted for. Net lending is the balancing item of the capital account.

Capital transfer: a transaction in which one institutional unit provides a capital asset to another unit without receiving anything in return.

Central government: the organisational units of central government responsible for such functions as taxation, law and order, and defence, and those responsible for advancing the economic and social well-being of the country. State-owned enterprises are excluded.

Central government enterprises: trading departments of central government and state-owned enterprises.

Change in inventories: the change in the value of inventories of raw materials, work-in-progress, and finished goods, over a given period. The change is measured in the appropriate prices in the market at the time additions and withdrawals are made.

Compensation of employees: payments of salaries and wages, whether in cash or in kind (such as fringe benefits), to employees. Includes contributions paid on employees' behalf to superannuation funds, private pension schemes, the Accident Compensation Corporation, and redundancy payments. Salaries and wages are the major component.

Compensation of employees to/from the rest of the world: compensation that residents of one country earn from employment in another country.

Consumption of fixed capital: decline in the value of fixed assets used in production, as a result of physical deterioration and normal obsolescence.

Current transfers from the rest of the world, net: all current transfers other than investment income.

Disposable income: the balancing item in the secondary distribution of income account. It is derived from the balance of primary incomes of the institutional sector by: adding all current transfers (except social transfers in kind) receivable by that unit or sector, and subtracting all current transfers (except social transfers in kind) payable by that unit or sector.

Dissaving: results when consumption is greater than income.

Entrepreneurial income: an enterprise's operating surplus (or mixed income), plus property income receivable on the assets owned by the enterprise, less interest payable on the enterprise's liabilities and rents payable on land or other tangible non-produced assets rented by the enterprise.

Exports of goods and services: all goods and services produced by New Zealand residents and purchased by the rest of the world. Exports of merchandise are valued free-on-board.

Final consumption expenditure: private final consumption expenditure is the sum of household outlays on consumer goods and services, and the spending on non-capital items by private non-profit organisations serving households. General government final consumption expenditure includes both central and local government spending.

Financial account: records changes in financial assets and liabilities that underlie the current and capital transactions in the production, income and outlay, and capital accounts.

Gross domestic product (GDP): total market value of goods and services produced in New Zealand, minus the cost of goods and services used in the production process.

Gross fixed capital formation: outlays of producers on durable fixed assets (eg buildings, motor vehicles, plant and machinery, hydro-electric construction, roading, and improvements to land). 'Gross' indicates that consumption of fixed capital is not deducted from the value of the outlays.

Gross national disposable income: total income of New Zealand residents, from all sources, that is available for final consumption or saving, after net payment of current transfers to the rest of the world.

Gross national expenditure: total final spending on goods and services by New Zealand residents within a given period (ie excluding goods and services used up during the production process).

Gross national income: all income received by New Zealand residents as a result of participating in a production process (domestic or foreign) or as a result of the assets they own. This income consists of remuneration of employees, interest, dividends, taxes, and subsidies related to production, and imports.

Gross operating surplus: surplus generated by operating activities after the labour input has been compensated.

Household sector: New Zealand-resident individuals, families, whānau, hapū, and subsidiary iwi (not rūnanga iwi) in their role as final consumers and as owners of factors of production.

Imports of goods and services: all goods and services produced by the rest of the world and purchased by New Zealand residents. Imports of merchandise are valued at value for duty.

Income and outlay account: records factor incomes and the subsequent redistributive flows not associated with production. Saving is derived as the residual and represents the part of disposable income that is not spent on final consumption goods and services.

Institutional sectors: the five broad economic sectors that make up the total economy, as classified under New Zealand Standard Institutional Sector Classification (NZISC):

- producer enterprises (sector 1)
- financial intermediaries (sector 2)
- general government (sector 3)
- private non-profit organisations serving households (sector 4)
- the household sector (sector 5).

A sector for the rest of the world (sector 6), exists for transactions between New Zealand-resident units and non-residents. Institutional sectors group transactors in the economy according to their broad economic role.

Institutional unit: an entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. There are two main types of institutional unit:

- persons or groups of persons in the form of households
- legal or social entities whose existence is recognised by law or society independently of the persons, or other entities, that may own or control them.

Legal or social entities that engage in economic activities in their own right – such as corporations, private non-profit organisations serving households, or government units – are institutional units as they are responsible and accountable for the economic decisions or actions they take.

Institutional units are allocated to sector according to the nature of the economic activity they undertake.

Intermediate consumption: value of all goods and services consumed as inputs during the production process.

Investment income to/from the rest of the world: income accruing to New Zealand residents for providing financial capital to non-residents/income accruing to non-residents for providing financial capital to New Zealand residents. It includes dividends, interest, reinvested earnings, and other investment income.

Local government: the non-trading organisations of local government that are responsible for activities such as dog control, town planning, libraries, museums, maintaining roads and drainage, and providing other sanitary services, as well as the general administration of territorial authorities.

Local government enterprises: trading divisions of local authorities and local authority trading enterprises.

Net lending to the rest of the world: excess of the net acquisition of financial assets New Zealand has acquired over the net liabilities it has incurred (recorded in the national capital account).

Net saving – corporations: equal to the gross income receivable by corporations less income payable and consumption of fixed capital. Income receivable by corporations includes gross operating surplus, property income, and current transfers.

Net saving – general government: the surplus of general government gross income over current use of income. Current use of income includes final consumption expenditure and current transfers.

Net saving – households: equal to gross household disposable income less household final consumption expenditure and consumption of fixed capital. Household saving is estimated as the balancing item in the household income account.

NZSNA: New Zealand System of National Accounts is a comprehensive accounting framework based on an international standard (System of National Accounts 2008). The structure and content of the NZSNA transforms the economic transactions that take place each day into a framework, to analyse and compare important economic variables over time.

Output: value of goods and services produced during a time period, regardless of whether they are produced for sale or own use.

Primary income: income directly linked to the production process:

- compensation of employees
- gross operating surplus
- entrepreneurial income
- net taxes on production
- property income (rent on natural resources, interest, dividends, and earnings attributed to insurance policyholders).

Primary incomes exclude social contribution and benefits, and current taxes on income, wealth, and other current transfers.

Private corporate producer enterprises: a subgroup that includes incorporated enterprises, co-operatives, and business associations that are recognised as independent legal entities through registration under acts of Parliament.

Private non-corporate producer enterprises: a subgroup that includes unincorporated enterprises, partnerships, and sole proprietorships engaged in a measurable amount of productive activity. In practice, this means that only enterprises that keep accounts adequate for taxation purposes are included. Where adequate accounts are not kept, production is generally an extension of the owner's household activity, and is therefore included in sector 5 (households).

Private non-profit organisations serving households: non-market non-profit organisations that provide goods or services to households, either free or at prices or fees that are not economically significant, and usually mainly provide services to their own members (eg trade unions, professional or learned societies, consumers' associations, and political parties).

Producer enterprises: enterprises (whether incorporated or unincorporated) that are mainly engaged in producing goods and services in New Zealand and selling these at market prices. They include all entities operating in New Zealand, irrespective of where the owners reside.

Production account: has two parts: non-market and market. These two parts record the current value of goods and services produced, and the costs associated in producing them. Key items measured in this account are services for own use (for non-market activity) and value added (for market activity).

Property income: income receivable by the owner of a financial asset, or a tangible non-produced asset, in return for providing funds to, or putting the tangible non-produced asset (usually land and subsoil assets) at the disposal of, another institutional unit. The owners are entitled to receive property incomes in the form of interest and dividends. Owners of land and subsoil assets may receive property income in the form of rent.

Purchases of non-produced non-financial assets from the rest of the world, net saving: purchase or sale of intangible, non-financial assets such as patents, copyrights, trademarks, franchises, and licences; and acquisition of land by a government or international organisation, or the disposal of land.

Secondary income: covers redistribution in the form of current transfers, including current taxes on wealth and income, social security, and pension transfers.

Services for own use: the non-market production of services for consumption within the same unit. For example meal preparation, child care and training, cleaning, and repairs within the same household.

Statistical discrepancy: in the NZSNA, the items making up GDP and expenditure on GDP are estimated independently, using diverse data sources. The combination of survey and other measurement and timing errors in the various components results in a difference between the estimates, known as the statistical discrepancy. The discrepancy is outside the GDP and expenditure on GDP calculations. Any discrepancy between the GDP income approach and the GDP expenditure approach will also prevent net lending between sectors from summing to zero.

Subsidies: government grants to market-oriented producers who regard the transfers as an addition to income from current production (eg payments to ensure a guaranteed price, or to enable market prices of goods and services to be held below the cost of production).

Tangible fixed assets: houses, other buildings and structures, machinery and equipment, and cultivated assets.

Tangible non-produced assets: land, subsoil assets, non-cultivated biological resources, and water resources. Environmental assets over which ownership rights have not, or cannot, be enforced, such as international waters or air space, are excluded.

Taxes on production and imports: taxes that producers pay for the production, sale, purchase, and use of goods and services, and which add to the market prices of those goods and services. Includes sales tax, local authority rates, import and excise duties, and fringe benefit tax. Goods and services tax is included in the consolidated accounts.

Value added: income formed in the production process. Value added equals output minus intermediate consumption. Value added is the income available to reward the production factors involved.

Related links

Upcoming releases

National Accounts (Income and Expenditure): Year ended March 2015 will be released in November 2015.

Subscribe to information releases, including this one, by completing the online subscription form.

The release calendar lists all our upcoming information releases by date of release.

Past releases

Institutional Sector Accounts has links to past releases.

National Accounts has links to past releases.

Related information

National Accounts (Industry Benchmarks) provide detailed industry data on production, investment, and capital stock. They provide benchmarks for the level of economic activity, which update and maintain the quality of quarterly gross domestic product (GDP) statistics. National accounts (industry benchmarks) are consistent with the information provided in this release.

Gross domestic product provides quarterly statistics of New Zealand's official measure of economic growth.

Accounting for the economic effects of the 2010/11 Canterbury earthquakes in New Zealand's national accounts.

Financial intermediation services indirectly measured (FISIM) in the national accounts.

Data quality

Period-specific information
This section contains information about data that has changed since the last release.

- Implementation of the 2008 System of National Accounts
- First edition of *Annual national accounts sources and methods*
- Estimates for 2013 and 2014 are provisional
- Summary tables presented in a 'resource and use' format

General information
This section has information that does not change between releases.

- Information about the tables
- Summary analysis tables by institutional sector
- The concepts of saving and net worth
- Methodology for compiling the accounts
- Interpretation of Household Economic Survey data in the national accounts
- Standard treatments concepts
- Special features of New Zealand data and methods
- Future development of methodology

Period-specific information

Implementation of the 2008 System of National Accounts

This information release includes changes made to our macro-economic accounts in 2014.

Changes have come from:

- updated macro-economic statistics to match new international standards
- other corrections and improvements
- annual updates for the 2011 and 2012 years.

Revised figures from changing international standards

This release incorporates changes in international standards as recommended in the System of National Accounts 2008 (SNA08) for the first time.

In August 2014, Statistics NZ published Preview of 2014 national accounts improvements, outlining the conceptual changes of the new international standards and the expected magnitude of revisions to GDP as a result. We discuss these revisions in the commentary and revisions sections of this release.

Capitalising research and development

The largest effect of the international standard updates on GDP was that research and development (R&D) was capitalised. This means we now treat R&D expenditure as an investment instead of an expense. These values include the costs of all inputs of labour, materials, and capital goods used in the R&D process.

R&D investment by businesses directly contributes an increase to GDP. As Crown research institutes and universities do not generally sell their output, the operational cost of these institutions is used to estimate the value of their output. The depreciation of accumulated R&D investments adds to their output and GDP contribution.

Weapons systems' capitalisation recognises use over full-service life

Weapons delivery systems, such as fighter aircraft or tanks, were treated as a current expense under the old standards. Under SNA08, we treat them as an investment, with the weapons classified as fixed assets. This increases GDP not due to the reclassification – weapons expenditures were already included in final government expenditure – but the inclusion of consumption of fixed capital in government expenditure. Expenditure on weapons systems by the New Zealand armed forces is small; the highest percentage revision to GDP is 0.1 percent.

Other asset changes

The biggest change in this 'other asset changes' category is an improvement to the measurement of assets produced in-house. These are often measured as the sum of the cost of inputs used in the asset production process as there are no market prices available. The recommended valuation method now also includes the full value of capital services in the costs, including a return on capital.

This valuation change raises the level of investment and GDP. In recent periods, the impact is small. However, the effect is larger for the pre-1990 period, when a significant amount of government construction was undertaken by internal agencies (eg the Ministry of Works) on behalf of other parts of central and local government.

Other asset changes revise GDP by between 0.2 percent and 0.3 percent between 1972 and 1987, and less than 0.1 percent from 1988 onwards.

Updates to the financial sector

The international standards were updated to reflect developments in one of the fastest-changing segments of modern economies. The changes include:

- service charge on non-life insurance
- unfunded pension schemes.

We have updated non-life insurance output to better reflect long-term expectations of future claims and to deal with irregular or exceptional events such as the Canterbury earthquakes. Under the new standard, expected claims are deducted rather than actual claims. This smooths the measurement of service fees, and better reflects actual insurance company practices. This results in a small increase on GDP, largely reflecting higher consumption of insurance services by households and the non-market sectors.

SNA08 recommends a revised treatment of defined benefit employer pension schemes whereby the true liability of the employers will be recorded, and matched by a household pension asset, whether or not the schemes themselves are over- or under-funded. This treatment applies to both funded and unfunded schemes. For New Zealand, the major effect comes through revising the treatment of the Government Superannuation Fund.

The updates to pension transactions include data improvements affecting the output of central government, which will have a mainly downward effect on GDP for the 1970s, 1980s, and 1990s.

First edition of *Annual national accounts sources and methods*

Statistics NZ has released the first edition of a guide to the data and methods we use to compile the annual national accounts in New Zealand. The primary purpose is to specify the data and methods we currently use to compile particular published statistics, released as the National Accounts (Industry Benchmarks) and National Accounts (Income and Expenditure).

Annual national accounts sources and methods provides an overview of the conceptual framework of the national accounts, and other information, to help interpret the sources and methods in the three attached sets of tables:

1. Industry
2. Expenditure
3. Institutional sector accounts.

See Annual national accounts sources and methods.

Estimates for 2013 and 2014 are provisional

Figures for the March 2013 and 2014 years are provisional and incomplete for the business sectors of the economy. More up-to-date information will be incorporated in future releases, which will also affect distributions between the business and household sectors and flow into household saving.

National Accounts (Income and Expenditure): Year ended March 2015 will provide provisional estimates for the March 2015 year and revised estimates for March 2013 and 2014 years.

Revisions to the national accounts next year will result from more up-to-date information becoming available, including updated data from the Annual Enterprise Survey: 2013 financial year (provisional) and initial inclusion of detailed results from the 2014 Annual Enterprise Survey.

Statistics for the years up to 2012 are consistent with National Accounts (Industry Benchmarks): Year ended March 2012.

Summary tables presented in a 'resource and use' format

We have improved the format of the sector account summary tables in this release. Flows are now summarised in a 'resource and use' framework, which better represents the linkages between sector accounts and the broader set of national accounts.

General information

Information about the tables

In New Zealand's national accounting system, data is presented as a set of self-balancing and interrelated accounts. These are: production, income and outlay, capital, financial, reconciliation accounts, and balance sheets.

For each sector, or the economy as a whole, the following accounts are compiled.

Production account

The production account records the current value of goods and services produced and the costs associated with their production. Value added is the sum of all production (output) less the consumption of intermediate goods and services in the production process. The production of all resident institutional sectors sums to national production (or gross domestic product).

Gross domestic product and expenditure on gross domestic product

Gross domestic product (GDP) is a measure of the value added from all economic activity in New Zealand. This account shows the main forms of income generated by the economy and the categories of final expenditure on GDP.

Income and outlay account

This account shows the income received from the various factors of production and how this income is either redistributed or used for final consumption expenditure across the sectors. The balancing item is national saving, which is a major source of finance for investment in assets or for reducing financial liabilities.

Capital account

The capital account records net capital transfers, consumption of fixed capital (depreciation), and net purchases of non-financial assets, inventories, and fixed assets. It also shows whether capital expenditure is financed from saving generated within the current period or from borrowing. The balancing item is net lending.

External account

This account brings together all transactions with the rest of the world and is in two parts: current and capital. The current account records receipts and disbursements for merchandise trade, services, international investment income and transfers, while the capital account introduces net capital transfers. The residual records New Zealand's net lending/borrowing with the rest of the world. The items in this account are derived from the overseas balance of payments statistics.

Within any sector, these three accounts share variables. The production account is linked to the income and outlay account through value added, which represents the income available to distribute. The income and outlay account is linked to the capital account through saving, which is the total amount available to invest or retain for future use. The capital account is linked to the production account through consumption of fixed capital in the production process.

We have not yet developed financial accounts, reconciliation accounts, or balance sheets.

Summary analysis tables by institutional sector

The summary analysis tables are a re-expression of the sector tables. They bring together the aggregated flows for each sector and highlight the links between the sector accounts and the consolidated national accounts.

The tables include the 'rest of the world' sector, presented from the viewpoint of an overseas resident. Interest paid, for example, is shown as a positive amount representing interest earned by overseas enterprises from investment in New Zealand. Similarly, in most years net lending with the rest of the world is shown as a positive total. This reflects that the rest of the world is a net lender to New Zealand.

Factor income

The production account section of the tables distinguishes current transactions beginning with factor incomes generated from the production of goods and services. GDP equals the sum of factor incomes plus consumption of fixed capital (which is recorded in the capital account).

Income and outlay

This section of the tables summarises transactions related to the redistribution of the factor incomes.

All expenditure transactions in the table (subsidies paid by government, inter-sector transfer payments, consumption, balance on external goods and services, and capital accumulation) are presented as negative entries. Therefore, saving or net lending can be computed simply by adding all the component transactions that appear in the 'factor income' and 'income and outlay' sections. For some variables, the receipts and payments have been presented in the same row, usually for variables where the inter-sector flows are in one direction. For example, the 'income tax' row has government receiving income tax (positive entry), while the other domestic sectors are paying income tax to the government sector (negative entries).

Expenditure and saving

Current transactions relate to final demand (consumption and balance on external goods and services). The balance on external goods and services is exports of goods and services less imports of goods and services. Gross domestic expenditure equals consumption and balance on external goods and services plus net investment on fixed assets and inventories, recorded in the capital account. Saving is the residual item.

Capital account

The capital account summarises capital transactions, presenting the sources of funding followed by the various types of capital accumulation. Net lending is the residual item.

The concepts of saving and net worth

Saving is estimated as the residual between total income and outlay components. Income and expenditure estimates (including interest and dividend flows) are reconciled within the institutional sector framework.

If we produced the full set of institutional accounts, including balance sheets, we would be able to derive an estimate of net worth. Net worth is, for example, the market value of a sector's stock of assets less the market value of its stock of liabilities (capital gains). Wealth estimates are outside the current scope of the institutional sector accounts.

Saving excludes the following items that affect net worth:

- capital gains (or holding gains), which reflect changes in the prices of existing assets and therefore do not represent additions to real stock of produced assets
- capital transfers, which reflect changes in ownership of existing assets
- events such as the Canterbury earthquakes, which result in changes in the real stock of existing assets but do not reflect an economic transaction.

An example of how household sector saving (as measured in this release) differs from the change in net worth is illustrated as follows. An increase in the value of the owner-occupied housing stock is included in measures of household net worth but not included in household saving. However, increases in mortgage interest payments, related to increases in housing values, do affect (reduce) household saving.

This means that measuring saving as a flow measure (income not spent) or net worth as a stock measure (change in net worth) are not competing methodologies. Instead, the key objective should be to reconcile them in a full set of accounts.

Methodology for compiling the accounts

The income and expenditure accounts are compiled by transaction (flows). Each transaction is allocated to sectors separately, and then full-sector accounts are compiled.

Business surveys and administrative data are the principal data sources for most transactions in the national accounts statistics. Business surveys, such as the Annual Enterprise Survey, collect information on financial flows and productive activity. We supplement our surveys and administrative data with data from other sources (eg Reserve Bank data is used to estimate household interest flows).

Large financial flows are reconciled as far as possible at the enterprise level. For example, large dividends paid by New Zealand-resident enterprises in the balance of payments statistics are checked against dividends paid recorded in business surveys. Large inter-company flows are also cross-checked. Where the data sources are inconsistent, other sources (including annual reports) are consulted, and the source data is then adjusted. By this reconciliation process the gap between national totals for transactions (such as interest paid and interest received) are brought close together. A final adjustment is made to match the flows exactly.

In general, gross data is recorded. Even between institutional units within the same sub-sector, receipts are not netted off payments, and vice versa. Where inter-company financial flows are recorded in unconsolidated form, level shifts in some series can occur that are entirely due to the inter-company flows. An example of this would be a company receiving a dividend from a subsidiary, then passing on the same dividend to an overseas parent company. In the accounts such a dividend is effectively recorded several times: paid by the subsidiary and the company, and received by the company and the rest of world, respectively. For large dividends, payments have been matched against receipts, and the accounts are correct on a grossed up basis.

Interpretation of Household Economic Survey (HES) data and the national accounts

The HES and annual national accounts releases both provide insights into the New Zealand household sector. HES is a specific survey designed to measure household income and spending. It is not designed to measure saving. It also provides information on how income and expenditure is distributed within the household sector.

The national accounts statistics present a broader measure of household income and expenditure, which is consistent with other macro-economic statistics. The household sector in the national accounts is consistent with government and business sector information and is the official measure of New Zealand's household saving.

HES is one of many statistics used to compile the national accounts statistics. There are differences in coverage, timing, and measures between these two statistics. For example, imputed rent (to account for people living in the dwellings they own) is included in the national accounts household sector but is outside the scope of the HES.

Standard treatments concepts

Capital gains and losses

Capital gains and losses associated with holding or trading capital and financial assets are recorded in reconciliation accounts. Therefore, these gains/losses are excluded from the concept of saving.

Owner-occupied dwellings

Ownership of owner-occupied dwellings is a market activity undertaken by households. Both gross fixed capital formation and intermediate consumption are excluded from final consumption expenditure. This is because expenditure associated with purchasing of owner-occupied dwellings is classified as gross fixed capital formation, and expenditure on ordinary repairs and maintenance is classified as intermediate consumption. Payment of imputed rent by owner-occupiers is included in final consumption expenditure. This measures an income flow back to households, valued at market rates.

Consumption of fixed capital (depreciation) is recorded separately in the household capital account. Consequently, the saving residual in the household income and outlay account is net of depreciation on owner-occupied dwellings.

Pension and social security schemes

According to the New Zealand System of National Accounts, income for life insurance, superannuation, and pension schemes are imputed. Employer contributions to these schemes are part of an individual’s income. Since the accumulated pension and superannuation funds are regarded as household assets, interest earned by the funds is included in household income. To avoid double-counting this income, actual pension payments are treated as a rundown in assets. Internationally, there may be differences in where the line is drawn between funded social security schemes (not classified as part of private saving) and funded pension schemes (usually for state employees). The estimates do not include income earned by New Zealand residents’ investment in overseas pension funds, due to the difficulty of measurement.

Insurance premiums and pension-fund contributions

Only the service or administration charge component of insurance premiums and pension-fund contributions paid by households is treated as final consumption expenditure. The balance is treated as a transfer payment and classified as secondary income payable.

Special features of New Zealand data and methods

Keep in mind the following features of New Zealand's business, tax, and historical context when viewing these accounts.

Relationship between unincorporated businesses and households

The relationship between households and businesses, especially small, owner-operated businesses, may be blurred in many ways.

- Household owners of businesses may hold property through years of losses, expecting capital gains sale.
- Business debts may be held within the household sector rather than the business sector.
- Some final consumption of households that operate farms may be reported as business (farm) expenses.

Statistics NZ classifies unincorporated enterprises to the producer (business) sector. Only the net entrepreneurial income from the business is included as a profit transfer in the household account – no retained earnings (saving) of unincorporated businesses are included in the producer sector. The total net earnings are recorded as being transferred to the household owners, where they mix with other sources of household income before income tax is assessed. While every effort is made to ensure that business-related expenses are excluded from household consumption expenditure, any that remain will overstate household outlays.

Since household owners withdraw all net current income from unincorporated businesses, any actual retained earnings of these businesses has to be shown as a capital contribution from householders. Consequently, household saving is also a source of finance for capital accumulation in the unincorporated producers sector. Net lending for the household sector therefore reflects the lending to the unincorporated businesses they own.

The exception to this occurs where households with rental property businesses hold property through years of losses, expecting capital gains when they sell. This is the reason negative saving is recorded in the unincorporated producers sector.

Dividend imputation credits

As dividend imputation credits are essentially a tax credit, dividends are estimated net of these credits.

Future development of methodology

Future methodological changes may cause revisions to the institutional sector accounts. The following areas warrant further investigation. While investigation is underway we expect to fully address these and potentially other issues over the next couple of years.

Trust income

Family trusts are a popular means of holding productive real and financial assets. In the national accounts, family trusts, as the owners of 'household' assets, are classified to the household sector. Income earned by the trust is included in household income. However, the different forms of asset ownership possible are quite complex, as are the ways in which the relevant trust flows might be captured in the source data used to compile the accounts. Trust income (especially beneficiary income) is recorded in household income. In principle, some may be recorded in the producer sector. Inland Revenue statistics suggest that this component of trustee income has increased significantly in recent years.

Retained earnings

Under New Zealand law, qualifying companies (by treating the company and its shareholders as one entity as much as possible for income tax purposes) allow a number of tax benefits. Analysis suggests that after changes to the top personal income tax rate in 2000, a greater proportion of earnings were retained within these companies rather than paid out to the working proprietors (as entrepreneurial withdrawals). This is reflected in the institutional sector accounts, where the retained earnings of corporations are not reported as household income. Given that the working proprietor has ready access to the retained earnings of the company, saving recorded in the household income and outlay account was lower than it might be without this particular tax law.

Transfers

Additional analysis of transfers may include a further review of government internal transfers, as these do not always net out.

More information

Statistics in this release have been produced in accordance with the Official Statistics System principles and protocols for producers of Tier 1 statistics for quality. They conform to the Statistics NZ Methodological Standard for Reporting of Data Quality.

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Revisions

This release contains revisions arising from new and more up-to-date information, and implements the updated international standards. It incorporates the National Accounts (Industry Benchmarks): Year ended March 2012 statistics and new and improved information. Implementing the updated standards resulted in revisions to the entire time series.

Revisions to National Accounts (Industry Benchmarks)

The revisions to National Accounts (Industry Benchmarks) result from balancing the production and expenditure estimates of gross domestic product (GDP) within a supply and use framework. For balancing we incorporated most up to date information from the 2011 and 2012 annual economic surveys. We also included updated and new information from other data sources.

Annual national accounts sources and methods has more information.

Revisions to balance of payments

Balance of Payments and International Investment Position: June 2014 quarter included revisions to overseas investment income, which are included in this release. Revisions of note came from:

- updated Inland Revenue data from the latest tax returns for companies, individuals, and other relevant units
- implementing the Balance of Payments Manual Version 6.

Revisions to saving

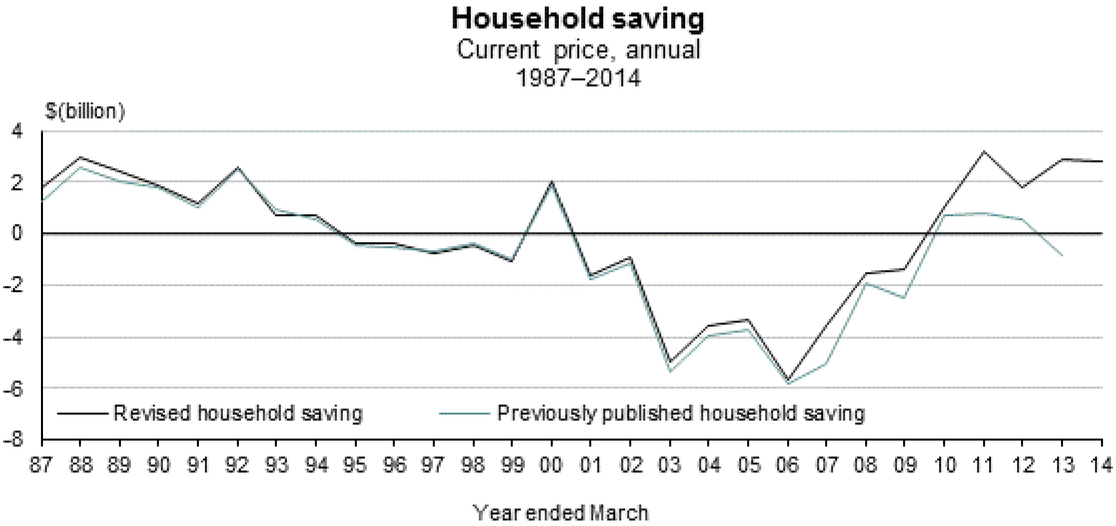
Revisions to national saving in 2013 are due to the availability of more accurate data for provisional estimates:

- partial incorporation of the annual enterprise survey 2013
- updated tax data.

Revisions to 2010 and 2012 have resulted from:

- incorporating of the supply use benchmarks from balancing
- methodology improvements from incorporating the international standards
- other methodology improvements and corrections to previously published estimates.

Saving revisions summary				
Year ended March	**National saving in current price, $(million)**		**Household saving in current price, $(million)**	
	Published Nov 2013	Published Nov 2014	Published Nov 2013	Published Nov 2014
2010	5,172	5,707	181	991
2011	4,359	5452	1,110	3,200
2012	5,397	6,636	517	1,766
2013	5,093	7,125	-837	2,889



Source: Statistics New Zealand

Other corrections and improvements

Improvements and corrections to measuring non-life insurance

As part of implementing the updated standards for measuring non-life insurance, we reviewed our methods and processes to calculate the supply and use of insurance services. Correcting inconsistencies we found in the calculations resulted in small (predominantly negative) changes to GDP.

Improvements and corrections to measuring capital stocks and depreciation

Issues we identified while implementing the new international standards led to downward revisions to depreciation and capital stocks. Those for depreciation partly offset the additional depreciation from updating the international standards. In the latest years, the negative effect on capital stocks is greater than the overall increase in stocks from implementing the new standards.

Revised depreciation affects GDP through the changed contributions from government and non-profit sectors; however, it is not significant in size. All other parts of the economy also have revisions to depreciation, which flow through to net saving for households and other sectors.

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Tables

The following tables are available in Excel format from the 'Downloads' box. If you have problems viewing the files, see opening files and PDFs.

Consolidated accounts full series

1.1 Consolidated accounts of the nation, gross domestic product and expenditure account, 1987–2014
1.2 Consolidated accounts of the nation, national income and outlay account, 1987–2014
1.3 Consolidated accounts of the nation, national capital account, 1987–2014
1.4 Consolidated accounts of the nation, external account, 1987–2014
1.5 Consolidated accounts of the nation, key aggregates, 1987–2014

Institutional sector accounts tables

The following tables show breakdowns by institutional sector.

2.1 Producer enterprises sector accounts, 1999–2014
2.2 Private corporate producer enterprises and producer boards sector accounts, 1999–2012
2.3 Private non-corporate producer enterprises sector accounts, 1999–2012
2.4 Central government enterprises sector accounts, 1999–2012
2.5 Local government enterprises sector accounts, 1999–2012
2.6 Financial intermediaries sector accounts, 1999–2014
2.7 General government sector accounts, 1999–2014
2.8 Central government sector accounts, 1999–2014
2.9 Local government sector accounts, 1999–2014
2.10 Private non-profit organisations serving households sector accounts, 1999–2014
2.11 Households sector accounts, 1999–2014
2.12 Household final consumption expenditure 1988–2014
2.13 Rest of world sector accounts, 1999–2014

Capital stock tables

These capital stock tables are by sector and asset type only. Capital stock tables by industry can be found in National Accounts (Industry Benchmarks): Year ended March 2011.

3.1 Gross fixed capital formation by asset type, current prices, 1987–2014
3.2 Gross fixed capital formation by sector, current prices, 1987–2014
3.3 Net capital stock by asset type, current prices (replacement cost), 1987–2014
3.4 Net capital stock by sector, current prices (replacement cost), 1987–2014
3.5 Consumption of fixed capital by sector, current prices, 1987–2014

Institutional sector accounts: summary analysis tables

1. New Zealand institutional sector annual accounts, 2011
2. New Zealand institutional sector annual accounts, 2012
3. New Zealand institutional sector annual accounts, 2013

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- **Institutional Sector Accounts** (for sector accounts data).